



### **Summary of Seller-Funded Downpayment Assistance Provision**

Contrary to an email you may have received, the Housing bill signed by the President on July 30<sup>th</sup>, 2008 does NOT eliminate all downpayment assistance programs from eligibility for FHA insurance. Only those programs that are funded directly from the seller or other party to the transaction are prohibited. Downpayment assistance from family members, government programs, or charities that are not seller-funded is still permitted. The prohibition goes into effect October 1, 2008.

For a complete summary of the issue and the history of this issue, please go to:

[http://www.realtor.org/GAPublic.nsf/pages/downpayment\\_assist\\_prog?OpenDocument](http://www.realtor.org/GAPublic.nsf/pages/downpayment_assist_prog?OpenDocument)

Here is a summary of the main points:

- Seller-funded downpayment assisted FHA loans have a very high default rate. In FY2007, the default rate on seller-funded downpayment loans was more than 28%, roughly three times the default rate on FHA loans without seller-funded downpayment assistance. For comparison purposes, the national default rate for mortgage loans was
- The FHA does not collect enough in premiums to sustain a 28% default rate on its loan portfolio without the need to raise premiums for all FHA borrowers or receive a federal subsidy for the first time in the 71-year history of the FHA program.
- FHA is the only mortgage program that has allowed seller-funded downpayment assistance.
- Under the legislation, FHA borrowers can still receive a 100% loan. The only requirement is that they must contribute 3.5% of the total costs in either the downpayment and/or closing costs.

#### **What NAR Is Doing Now:**

NAR understands the concerns our members have about the elimination of these programs. We are talking to Nehemiah and the other provider-groups to see what changes can be made in their programs that would allow downpayment assistance to be provided. In addition, we will be working with Chairman Barney Frank (D-MA) and Subcommittee Chairwoman Maxine Waters (D-CA) who have indicated their desire to find a way to save these programs.

#### **Finding Alternative Downpayment Assistance Programs:**

There are downpayment assistance programs that will still be permissible.

**The American Dream Downpayment** program is one program - details are available here:

<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/addi/>

**State and local agencies** also offer many other programs . NAR keeps a list of those programs identified by state and local associations here:

[http://www.realtor.org/government\\_affairs/housing\\_opportunity/resource\\_center/housing\\_solutions](http://www.realtor.org/government_affairs/housing_opportunity/resource_center/housing_solutions)

In addition, NAR's Housing Opportunity has put together the following fact sheet on locating downpayment assistance providers:

# Home from Work™

## Tips To Find Down-Payment Assistance Programs

This fact sheet provides information to help REALTORS® identify down-payment assistance programs at the federal, state, and local level.

### Ways to find down-payment assist programs:

1. Contact your lender partner – Lenders will be familiar with programs in your community.
2. Contact your non-profit housing counseling agency – Housing counseling agencies know about down-payment assistance program resources in your community.
3. Visit your local government website – By researching the web pages of your local government's housing or community development department, you can learn what kind of financial assistance is available for buyers in your area. Usually this information is in the single family or home buying section of the public sector website.
4. Check federal and state government resources – Some of the key agencies that provide down-payment and closing cost assistance include:

- US Department of Housing and Urban Development (HUD) at [www.hud.gov](http://www.hud.gov)

Through its American Dream Down-payment Initiative, HUD allows state and local governments to use HOME funds to provide down-payment and closing cost assistance for eligible low and moderate income families.

- State and Local Housing Finance Agencies

Each state has a housing finance agency that operates programs to assist buyers in purchasing a home. To find your state housing finance agency check the National Council of State Housing Agencies (NCSHA) website at [www.ncsha.org](http://www.ncsha.org). Local governments also have housing financed agencies. Check your local government website to find a local housing finance agency.

- Federal Reserve Board at [www.federalreserve.gov](http://www.federalreserve.gov)

There are 12 banks in the Federal Reserve System. A number of the Federal Reserve Banks operate down-payment assistance program. Each Bank individually determines its programs so visit the website of the Federal Reserve Bank for your region to find out what is available. There are links to all 12 Banks on the Federal Reserve website.

- Federal Home Loan Banks at [www.fhlbanks.com](http://www.fhlbanks.com)

There are 12 Federal Home Loan Banks and their primary purpose is to provide loans to banks, which allow the banks to extend long-term financing for housing and economic development. A number of the Home Loan Banks have down-payment assistance programs. Visit the website for the Home Loan Bank for your region to find out what is available. There are links to all the Home Loan Banks on the Federal Home Loan Bank website.

### Learn More

For more about Home From Work™ and how to participate, check the Home From Work™ section on [www.realtor.org](http://www.realtor.org) or contact Rodney Tucker at [rucker@realtors.org](mailto:rucker@realtors.org) or 202/383-1166.